

UNADILLA TOWNSHIP

REPORT ON AUDIT  
OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MARCH 31, 2008

## **UNADILLA TOWNSHIP**

### **TOWNSHIP OFFICIALS**

Supervisor - James Peterson  
Treasurer - Bonnie Mahler  
Clerk - Linda J. Topping

### **TOWNSHIP BOARD OF TRUSTEES**

Warren Krueger  
Lori Cowan

### **TOWNSHIP ATTORNEY**

Law Office of Paul E. Burns

### **TOWNSHIP AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

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August 19, 2008

Board of Trustees  
Unadilla Township  
126 Webb Street  
Gregory, Michigan 48137

**INDEPENDENT AUDITORS' REPORT**

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Unadilla Township as of and for the year ended March 31, 2008, which collectively comprise Unadilla Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Unadilla Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Unadilla Township as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2008 on our consideration of Unadilla Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and other required supplementary information on pages 8 through 11 and 33 through 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Unadilla Township's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining statements and individual fund statements, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Pfeffer, Hanniford & Palka, P.C.*

**PFEFFER, HANNIFORD & PALKA**  
Certified Public Accountants

MANAGEMENT DISCUSSION  
AND  
ANALYSIS

## Management Discussion and Analysis March 31, 2008

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Within this section of Unadilla Township's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

### Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

### ***Government-wide Financial Statements***

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Governmental activities include such activities as general government, public safety, and planning and zoning departments. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has two kinds of funds:

*Governmental funds* are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

*Fiduciary funds* are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

### **Notes to the financial statements**

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

### **Financial Analysis of the Township as a Whole**

The Township's net assets at the end of the fiscal year were \$2,200,493. This is a \$308,535 increase over last year's net assets of \$1,891,958.

The following tables provide a summary of the Township's financial activities and changes in net assets:

### **Summary of Net Assets**

	Governmental Activities	
	3/31/2008	3/31/2007
Current and other assets	\$ 3,984,275	\$ 3,973,113
Capital assets, net	475,676	507,657
Total assets	4,459,951	4,480,770
Accounts payable and other accrued liabilities	11,947	321,301
Bonds payable	2,247,511	2,267,511
Total liabilities	2,259,458	2,588,812
Net assets:		
Invested in capital assets, net of related debt	475,673	507,657
Unrestricted	1,724,820	1,384,301
Total net assets	\$ 2,200,493	\$ 1,891,958

### Summary of Changes in Net Assets

	Governmental Activities	
	3/31/2008	3/31/2007
REVENUES		
Program revenues		
Charges for services	\$ 49,893	\$ 86,804
Operating grants and contributions	641	8,315
Capital grants and contributions		214,800
General revenues		
State shared revenues	216,395	218,660
Property taxes	455,140	449,536
Interest income	177,345	162,176
Gain (loss) on sale of assets		(8,548)
Special assessments		7,653
Other income	11,578	16,550
Total revenues	910,992	1,155,946
EXPENSES		
General government	181,437	181,427
Fire protection	107,562	114,447
Police protection	170,929	185,614
Public works	72,402	59,799
Senior center	1,023	407
Interest on long-term debt	69,104	152,692
Total expenses	602,457	694,386
Change in net assets	308,535	461,560
Beginning net assets	1,891,958	1,430,398
Ending net assets	\$ 2,200,493	\$ 1,891,958

The overall financial status for the Township is strong with the Township adding to its net assets once again.

#### Financial Analysis of the Township's Funds

Unadilla Township reported five major funds for the year ended March 31, 2008. These funds included:

- General Fund
- Fire Fund
- Police Fund
- Dust Control
- Sewer Debt Service Fund

The General Fund increased its fund balance by \$186,704 while not transferring out any money to various special revenue funds.

The Fire Fund increased its fund balance by \$36,892 and the Police Fund decreased its fund balance by \$1,507.

The Dust Control Fund increased its fund balance by \$51,842 while still providing road treatments.

The Sewer Debt Service Fund increased its fund balance by \$161,593 for the fiscal year. This is typical for this fund as it is still approximately 5 years since the sale of the bonds and related special assessment. As the bonds near maturity the Township can expect expenditures to exceed revenues since the interest rate on the debt will likely exceed the interest rate on cash equivalents.

#### General Fund Budgetary Highlights

The Township approved a budget prior to the start of the fiscal year, and made amendments during the year. Appropriations exceeded actual expenditures by \$72,830. Several immaterial budget amendments were made during the year to bring the budget closer to economic reality.

#### Capital Asset and Debt Administration

The Township did not purchase any capital assets during the fiscal year.

The Police Department sold several immaterial assets in the amount of \$1,100. The General Fund sold a 1975 Ford tanker truck for \$1,805.

The Township extinguished \$20,000 of the \$2,267,511 debt that was outstanding from the previous year for the Township residents' participation in an area sewer authority.

#### Economic Conditions and Future Activities

Anticipated future decreases in state revenue sharing could have a substantial effect on operations for subsequent periods.

#### Contacting the Township's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact Unadilla Township at 126 Webb Street, P.O. Box 420, Gregory, Michigan 48137.

BASIC FINANCIAL  
STATEMENTS

GOVERNMENT-WIDE  
FINANCIAL  
STATEMENTS

UNADILLA TOWNSHIP  
STATEMENT OF NET ASSETS  
MARCH 31, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 2,277,244
Receivables	
Accounts	42,389
Special assessments	1,578,226
State shared revenues	34,274
Taxes	48,896
Intergovernmental	1,859
Grant receivable	1,280
Prepaid expenditures	107
Capital assets - net of depreciation	<u>475,676</u>
Total assets	<u>4,459,951</u>
<u>LIABILITIES</u>	
Accounts payable	3,395
Payroll taxes payable	8,552
Bonds payable	
Current	152,242
Non-current	<u>2,095,269</u>
Total liabilities	<u>2,259,458</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	475,676
Unrestricted	<u>1,724,817</u>
Total net assets	<u><u>\$ 2,200,493</u></u>

The notes are an integral part of the financial statements.

UNADILLA TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ (181,437)	\$ 37,164	\$	\$ (144,273)
Fire protection	(107,562)	5,721	563	(101,278)
Police protection	(170,929)	7,008	68	(163,853)
Senior Fund	(1,023)		10	(1,013)
Public works	(72,402)			(72,402)
Interest/fees on long-term debt	(69,104)			(69,104)
Total governmental activities	<u>\$ (602,457)</u>	<u>\$ 49,893</u>	<u>\$ 641</u>	<u>(551,923)</u>
General Revenues:				
				455,140
Property taxes				216,395
State shared revenues				73,131
Unrestricted investment earnings				9,773
Other income				1,805
Sale of assets				104,214
Special assessment - interest				
Total general revenues				<u>860,458</u>
Changes in net assets				308,535
Net assets, April 1, 2007				<u>1,891,958</u>
Net assets, March 31, 2008				<u>\$ 2,200,493</u>

The notes are an integral part of the financial statements.

FUND  
FINANCIAL  
STATEMENTS

UNADILLA TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Dust Control</u>
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents	\$ 730,093	\$ 185,930	\$ 100,400	\$ 173,996
Receivables				
Special assessments				
Taxes	9,198	10,685	16,028	11,245
State shared revenues	34,274			
Grants		1,280		
Due from other funds	1,859			
Due from others	11,144			
Prepaid expenditures	107			
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 786,675</u>	<u>\$ 197,895</u>	<u>\$ 116,428</u>	<u>185,241</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$	\$ 1,043	\$ 1,272	\$
Payroll taxes payable	2,528	3,325	2,699	
Deferred revenues				
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	2,528	4,368	3,971	
 FUND BALANCE				
Unreserved	784,147	193,527	112,457	185,241
Reserved for debt service				
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	<u>784,147</u>	<u>193,527</u>	<u>112,457</u>	<u>185,241</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 786,675</u>	<u>\$ 197,895</u>	<u>\$ 116,428</u>	<u>\$ 185,241</u>

The notes are an integral part of the financial statements.

<u>Sewer Debt Service</u>	<u>Other Non-major Funds</u>	<u>Total</u>
\$ 901,186	\$ 185,639	\$ 2,277,244
1,609,471		1,609,471
	1,740	48,896
		34,274
		1,280
		1,859
		11,144
		107
<u>\$ 2,510,657</u>	<u>\$ 187,379</u>	<u>\$ 3,984,275</u>

\$ 685	\$ 395	\$ 3,395
		8,552
<u>1,578,226</u>		<u>1,578,226</u>
1,578,911	395	1,590,173
	186,984	1,462,356
<u>931,746</u>		<u>931,746</u>
<u>931,746</u>	<u>186,984</u>	<u>2,394,102</u>
<u>\$ 2,510,657</u>	<u>\$ 187,379</u>	<u>\$ 3,984,275</u>

UNADILLA TOWNSHIP  
RECONCILIATION OF STATEMENT OF NET ASSETS  
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET  
MARCH 31, 2008

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet	\$	2,394,102
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Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds:

Historical costs	\$	921,790	
Depreciation		(446,114)	
Capital assets, net of depreciation			475,676

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:

Bonds payable		(2,247,511)
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Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.

		1,578,226
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Net assets of governmental activities	\$	2,200,493
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The notes are an integral part of the financial statements.

UNADILLA TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2008

	General	Fire	Police	Dust Control
REVENUES				
Taxes	\$ 84,062	\$ 104,450	\$ 156,679	\$ 109,949
Special assessments				
State shared revenues	216,395			
Licenses and permits	19,122		920	
Fines and forfeitures			2,529	
Grant income		345		
Charges for services	17,122	5,721	1,844	
Interest	26,533	5,179	756	909
Donations		218	68	
Miscellaneous	3,102		1,401	5,259
Total revenues	<u>366,336</u>	<u>115,913</u>	<u>164,197</u>	<u>116,117</u>
EXPENDITURES				
Current:				
General government	180,650			
Fire protection		79,021		
Police protection			165,704	
Senior fund				
Public works				64,275
Debt Service:				
Principal				
Interest				
Miscellaneous	787			
Total expenditures	<u>181,437</u>	<u>79,021</u>	<u>165,704</u>	<u>64,275</u>
Excess of revenues over (under) expenditures	184,899	36,892	(1,507)	51,842
OTHER FINANCING SOURCES (USES)				
Sale of fixed assets	1,805			
Net changes in fund balances	186,704	36,892	(1,507)	51,842
FUND BALANCE, APRIL 1, 2007	<u>597,443</u>	<u>156,635</u>	<u>113,964</u>	<u>133,399</u>
FUND BALANCE, MARCH 31, 2008	<u>\$ 784,147</u>	<u>\$ 193,527</u>	<u>\$ 112,457</u>	<u>\$ 185,241</u>

The notes are an integral part of the financial statements.

Sewer Debt Service	Other Non-major Funds	Total
\$ 218,990	\$ 8,729	\$ 455,140
		227,719
		216,395
		20,042
	2,635	5,164
		345
		24,687
31,707	8,047	73,131
	10	296
	11	9,773
<u>250,697</u>	<u>19,432</u>	<u>1,032,692</u>
		180,650
		79,021
	1,785	167,489
	1,023	1,023
	8,127	72,402
20,000		20,000
67,654		67,654
1,450		2,237
<u>89,104</u>	<u>10,935</u>	<u>590,476</u>
161,593	8,497	442,216
		1,805
161,593	8,497	444,021
770,153	178,487	1,950,081
<u>\$ 931,746</u>	<u>\$ 186,984</u>	<u>\$ 2,394,102</u>

UNADILLA TOWNSHIP  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2008

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ 444,021
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense by:	
Depreciation expense	(31,981)
Repayment of bond and contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets repayment of:	
Bonds payable	20,000
Principal received on special assessments are income as they are levied annually for governmental funds, but they are income when they are levied for the Statement of Activities	
Principle collected on assessments	<u>(123,505)</u>
Change in net assets of governmental activities	<u><u>\$ 308,535</u></u>

The notes are an integral part of the financial statements.

UNADILLA TOWNSHIP  
STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
MARCH 31, 2008

	<u>Trust and Agency Fund</u>	<u>Current Tax Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	<u>\$ 6,208</u>	<u>\$ 1,866</u>	<u>\$ 8,074</u>
 <u>LIABILITIES</u>			
Due to others	\$ 6,208	\$	\$ 6,208
Due to other funds	<u>1,866</u>	<u>1,866</u>	<u>1,866</u>
Total liabilities	<u>\$ 6,208</u>	<u>\$ 1,866</u>	<u>\$ 8,074</u>

The notes are an integral part of the financial statements.

NOTES  
TO  
FINANCIAL  
STATEMENTS

UNADILLA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Unadilla Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, laws, or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

UNADILLA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the Township's fire protection services. This fund is primarily funded through a special separately elected millage.

The Police Fund accounts for the Township's police protection services. This fund is primarily funded through a special separately elected millage.

The Dust Control Fund accounts for the Township's dirt roads dust control. This fund is primarily funded through a special separately elected millage.

The Sewer Debt Service Fund accounts for the debt service related to bonds issued to connect to an area sewer authority.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

UNADILLA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

D. BUDGETARY DATA

The Township's original budget was adopted prior to April 1, 2008. A budget was adopted for the General, Fire, Police, Street Light and Dust Control Fund. No budgets were approved for the Township Improvement Fund, Police Forfeiture, and Senior Center Funds. This is a violation of Public Act 493 of 2000.

The Township adopts its budget by functional activity which is the level of classification detail at which expenditures may not legally exceed appropriations. However, expenditures exceeded budget appropriations in several functional activities.

E. PROPERTY TAX REVENUE RECOGNITION

The Township property tax is levied each December 1 on the taxable value of property located in the Township as of the preceding December 31. Assessed values are established annually by the county and are equalized by the state at an estimated 50 percent of current market value. Real and personal property in the Township for the 2007 levy was assessed and equalized at \$120,822,623, representing 50 percent of estimated current market value. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection. Information related to the 2007 tax levy is as follows:

	<u>Millage Rate</u>
Township Operations	0.6892
Roads	0.9040
Fire equipment	0.8590
Police	<u>1.2885</u>
Total township millage	<u><u>3.7407</u></u>

UNADILLA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

H. CASH AND CASH EQUIVALENTS

The Township considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

NOTE 2 - FINANCIAL REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 39, certain other governmental organizations are not considered to be part of the reporting entity for financial statement purposes.

The criteria established by GASB Statement No. 39 for various governmental organizations to be included in the reporting entity's financial statements include accountability, control, and significant financial relationships.

The accompanying financial statements of Unadilla Township as of March 31, 2008, include any and all boards, agencies, funds and account groups under the jurisdiction of the Unadilla Township Board.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The Township has several interfund receivables and payables at March 31, 2008. These are short-term in nature and are expected to be repaid within the next fiscal year. The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 1,859	\$
Current tax		1,859
Total	<u>\$ 1,859</u>	<u>\$ 1,859</u>

There are no interfund transfers reported in the fund financial statements.

UNADILLA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
Land	\$ 6,002	\$	\$	\$ 6,002
Buildings and improvements	318,000			318,000
Vehicles and equipment	718,163		120,375	597,788
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets	1,042,165		120,375	921,790
Accumulated depreciation	<u>(534,508)</u>	<u>(31,981)</u>	<u>(120,375)</u>	<u>(446,114)</u>
Governmental activities capital asset, net	<u>\$ 507,657</u>	<u>\$ (31,981)</u>	<u>\$</u>	<u>\$ 475,676</u>

Depreciation expense is being recorded in the government-wide statement of activities based upon the fund and activity utilizing the assets. The Township utilizes the straight line method to depreciate capital assets over their estimated useful lives. No debt is associated with these capital assets. Depreciation expense was allocated to the following activities:

Fire protection services	\$ 28,541
Police protection services	<u>3,440</u>
Total	<u>\$ 31,981</u>

UNADILLA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2008

**NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks, commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

The investment policy adopted by the board is in accordance with Act 196 PA 1997. The Township's deposits and investments are in accordance with statutory authority.

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 1,100,000	\$ 1,100,000
Uninsured and uncollateralized	<u>1,185,318</u>	<u>1,328,264</u>
Total	<u><u>\$ 2,285,318</u></u>	<u><u>\$ 2,428,264</u></u>

The carrying amount above includes funds from:

Primary government	\$ 2,277,244
Fiduciary funds	<u>8,074</u>
Total carrying amount	<u><u>\$ 2,285,318</u></u>

The Township's cash and investments are subject to types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,328,264 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer.

UNADILLA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2008

**NOTE 6 - LONG-TERM OBLIGATIONS**

1. Contract payable to Washtenaw County, dated January 1, 2002, to finance the expansion of the Multi-Lakes Sanitary Sewer System. Unadilla's portion of the liability is 29.387%. The loan is payable in annual principal installments ranging from \$117,548 to \$132,242 through 2020, plus interest in semi-annual installments ranging from 3.00% to 5.00%.
2. Special assessment bonds Series 2002A payable to United States Department of Agriculture, dated March 1, 2002 to finance construction costs of the Gregory Sewer System. Payable in annual principal installments ranging from \$20,000 graduating to \$21,000 through 2042, plus interest in semi-annual installments fixed at 4.5%.

A summary of these long-term obligations as of March 31, 2008, and transactions during the year then ended are as follows:

	Balance 4/1/07	Increase	Decrease	Balance 3/31/08	Due in One Year Current Portion
2002 - Multi Lakes	\$ 1,557,511	\$	\$	\$ 1,557,511	\$ 132,242
2002 - USDA	710,000		20,000	690,000	20,000
	<u>\$ 2,267,511</u>	<u>\$</u>	<u>\$ 20,000</u>	<u>\$ 2,247,511</u>	<u>\$ 152,242</u>

UNADILLA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The following is a schedule of principal and interest payments to service the long-term obligations of the Township:

<u>Fiscal years</u>	<u>2002 Multi-Lakes Special Assessment</u>			<u>2002 A Special Assessment</u>			<u>Total</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008 - 2009	\$ 68,679	\$ 132,242	\$ 200,921	\$ 31,050	\$ 20,000	\$ 51,050	\$ 99,729	\$ 152,242	\$ 251,971
2009 - 2010	63,141	132,242	195,383	30,150	20,000	50,150	93,291	152,242	245,533
2010 - 2011	57,760	117,548	175,308	29,250	20,000	49,250	87,010	137,548	224,558
2011 - 2012	52,617	117,548	170,165	28,350	20,000	48,350	80,967	137,548	218,515
2012 - 2013	47,475	117,548	165,023	27,450	20,000	47,450	74,925	137,548	212,473
2013 - 2018	157,220	587,740	744,960	123,750	100,000	223,750	280,970	687,740	968,710
2018 - 2023	26,448	352,643	379,091	101,250	100,000	201,250	127,698	452,643	580,341
2023 - 2028				78,750	100,000	178,750	78,750	100,000	178,750
2028 - 2033				56,250	101,000	157,250	56,250	101,000	157,250
2033 - 2038				33,075	105,000	138,075	33,075	105,000	138,075
2038 - 2042				9,450	84,000	93,450	9,450	84,000	93,450
Totals	<u>\$ 473,340</u>	<u>\$ 1,557,511</u>	<u>\$ 2,030,851</u>	<u>\$ 548,775</u>	<u>\$ 690,000</u>	<u>\$ 1,238,775</u>	<u>\$ 1,022,115</u>	<u>\$ 2,247,511</u>	<u>\$ 3,269,626</u>

UNADILLA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 7 - EMPLOYEE RETIREMENT PLAN

The Township participates in the John Hancock Defined Contribution Pension Plan Group No. 60571 for Michigan Township employees. This is a single-employer plan. All members of the Township Board are included in the plan. The Township contributes 7.50% of participant's compensation, while an employee contributes 7.50% of compensation. Annual compensation used to determine the current year contribution is as of April 1, preceding the year. Contribution information is as follows:

ACCOUNT VALUE AT MARCH 31, 2008	\$ <u>85,449</u>
TOTAL CURRENT YEAR CONTRIBUTIONS	\$ <u>4,481</u>

These balances reflect contributions for the period from April 1, 2007 to March 31, 2008.

NOTE 8 - FEDERAL GRANT ACTIVITIES

Unadilla Township was a recipient of a rural development grant from the USDA for construction of the Gregory Sewer System. The remaining 25% of the project cost was loaned to the Township and is being paid back over 40 years. The grant received is subject to financial and compliance audits by the grantors or their representatives.

The Township has received a federal grant from the United States Department of Homeland Security for the purchase of a fire truck. The total amount received was \$214,800. There has been no federal audit of the funds through the report date of these financial statements.

NOTE 9 - JOINT VENTURES

The Township is a member of the Multi-Lakes Area Water and Sewer Authority ("Authority") which provides sewer services to the residents of Unadilla, Dexter, Lyndon and Putnam Townships. The residents of the participating communities provide annual funding for its operations via sewer billings. The Township is unaware of any circumstance that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Authority can be obtained from the administrative offices at 12088 N. Territorial Road, Dexter, Michigan 48130.

NOTE 10 - BUILDING LEASE

The Township entered into an operating lease with Stockbridge Community Schools for office space and a phone system, with terms in excess of one year. None of these agreements contains purchase options but they do contain a termination clauses providing for cancellation. It is unlikely the Township will cancel the lease prior to the expiration date. The rent expense for the fiscal year ended March 31, 2008 was \$1. Phone system rental expense for the year was \$500. The Township expects this lease to be renewed during the next fiscal year with approximately the same lease terms.

Future minimum lease payments are as follows:

	<u>Building Rent</u>	<u>Phone System</u>	<u>Total</u>
2009	\$ <u>1</u>	\$ <u>500</u>	\$ <u>501</u>

REQUIRED  
SUPPLEMENTARY  
INFORMATION

UNADILLA TOWNSHIP  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008

	Budget Amount			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Property taxes	\$	\$	\$ 84,062	\$
State shared revenues			216,395	
Licenses and permits			19,122	
Charges for services			17,122	
Other revenues			3,102	
Interest			26,533	
Total revenues	355,899	355,899	366,336	10,437
EXPENDITURES				
Township board			3,900	
Supervisor			20,000	
Elections			3,568	
Assessor			25,187	
Auditor			4,500	
Clerk			21,392	
Attorney			7,216	
Board of review			2,017	
Treasurer			23,700	
Unallocated			44,291	
Drains at large			787	
Planning			11,327	
Zoning			13,535	
Tax chargeback			17	
Total expenditures	212,025	212,025	181,437	30,588
Excess of revenues over (under) expenditures	143,874	143,874	184,899	41,025
OTHER FINANCING SOURCES (USES)				
Sale of assets			1,805	1,805
Transfers (out) - Fire	(20,000)	(20,000)		20,000
Transfers (out) - Police	(10,000)	(10,000)		10,000
Total other financing sources (uses)	(30,000)	(30,000)	1,805	31,805
Net change in fund balance	113,874	113,874	183,094	72,830
FUND BALANCE, APRIL 1, 2007	597,443	597,443	597,443	
FUND BALANCE, MARCH 31, 2008	\$ 711,317	\$ 711,317	\$ 780,537	\$ 72,830

UNADILLA TOWNSHIP  
FIRE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008

	Budget Amount			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Property taxes	\$	\$	\$ 104,450	\$
Grant - county			345	
Donations			218	
Charges for services			5,721	
Interest			5,179	
Total revenues	327,200	327,200	115,913	(211,287)
EXPENDITURES				
Salaries			33,802	
Payroll taxes			2,586	
Sewer assessment			702	
Supplies			2,975	
Uniforms			212	
Audit fees			2,000	
Gas			1,515	
Telephone			2,102	
Internet service			656	
Mileage			1,643	
Training			2,473	
Insurance			18,872	
Utilities			4,569	
Repairs and maintenance			4,155	
Miscellaneous			634	
Dues			125	
Total expenditures	416,035	416,035	79,021	337,014
Net change in fund balance	(88,835)	(88,835)	36,892	125,727
FUND BALANCE, APRIL 1, 2007	156,635	156,635	156,635	
FUND BALANCE, MARCH 31, 2008	\$ 67,800	\$ 67,800	\$ 193,527	\$ 125,727

UNADILLA TOWNSHIP  
POLICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008

	Budget Amount			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Property taxes	\$	\$	\$ 156,679	\$
Fines and forfeitures			2,529	
Liquor license			920	
Charges for service			1,100	
Sale of assets			1,844	
Miscellaneous			301	
Interest			756	
Donations			68	
Total revenues	159,000	159,000	164,197	5,197
EXPENDITURES				
Salaries			106,127	
Payroll taxes			8,455	
Retirement			1,200	
Health insurance			3,200	
Supplies			2,172	
Telephone			2,262	
Legal			1,245	
Mileage			140	
Audit fees			1,500	
Training			1,076	
Uniforms			714	
Insurance			14,004	
Utilities			2,616	
Gas			8,659	
Repairs and maintenance			9,742	
Miscellaneous			1,074	
Dues			534	
Small equipment and tools			984	
Total expenditures	171,600	171,600	165,704	5,896
Net change in fund balance	(12,600)	(12,600)	(1,507)	11,093
FUND BALANCE, APRIL 1, 2007	113,964	113,964	113,964	
FUND BALANCE, MARCH 31, 2008	\$ 101,364	\$ 101,364	\$ 112,457	\$ 11,093

UNADILLA TOWNSHIP  
DUST CONTROL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008

	Budget Amount			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Property taxes	\$	\$	\$ 109,949	\$
Other revenues			5,259	
Interest			909	
Total revenues	108,375	108,375	116,117	7,742
EXPENDITURES				
Road treatment			64,015	
Other charges			260	
Total expenditures	184,000	184,000	64,275	119,725
Net change in fund balance	(75,625)	(75,625)	51,842	127,467
FUND BALANCE, APRIL 1, 2007	133,399	133,399	133,399	
FUND BALANCE, MARCH 31, 2008	\$ 57,774	\$ 57,774	\$ 185,241	\$ 127,467

SUPPLEMENTARY  
INFORMATION

COMBINING  
FINANCIAL  
STATEMENTS

UNADILLA TOWNSHIP  
ALL SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
MARCH 31, 2008

	<u>Fire Fund</u>	<u>Police Fund</u>	<u>Police Forfeiture Fund</u>	<u>Dust Control Fund</u>
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents	\$ 185,930	\$ 100,400	\$ 3,038	\$ 173,996
Taxes receivable	10,685	16,028		11,245
Grant receivable	<u>1,280</u>			
Total assets	<u><u>\$ 197,895</u></u>	<u><u>\$ 116,428</u></u>	<u><u>\$ 3,038</u></u>	<u><u>\$ 185,241</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 1,043	\$ 1,272	\$ 395	\$
Payroll taxes payable	<u>3,325</u>	<u>2,699</u>		
Total liabilities	4,368	3,971	395	
FUND BALANCE	<u>193,527</u>	<u>112,457</u>	<u>2,643</u>	<u>185,241</u>
Total liabilities and fund balance	<u><u>\$ 197,895</u></u>	<u><u>\$ 116,428</u></u>	<u><u>\$ 3,038</u></u>	<u><u>\$ 185,241</u></u>

<u>Dust Control Fund</u>	<u>Street Lighting Fund</u>	<u>Township Improvement Fund</u>	<u>Senior Fund</u>	<u>Totals</u>
\$ 173,996 11,245	\$ 3,609 1,740	\$ 177,073	\$ 1,919	\$ 645,965 39,698 1,280
<u>\$ 185,241</u>	<u>\$ 5,349</u>	<u>\$ 177,073</u>	<u>\$ 1,919</u>	<u>\$ 686,943</u>
\$	\$	\$	\$	\$ 2,710 6,024
 				8,734
<u>185,241</u>	<u>5,349</u>	<u>177,073</u>	<u>1,919</u>	<u>678,209</u>
<u>\$ 185,241</u>	<u>\$ 5,349</u>	<u>\$ 177,073</u>	<u>\$ 1,919</u>	<u>\$ 686,943</u>

UNADILLA TOWNSHIP  
ALL AGENCY FUNDS  
COMBINING BALANCE SHEET  
MARCH 31, 2008

	<u>Trust and Agency Fund</u>	<u>Current Tax Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	<u>\$ 6,208</u>	<u>\$ 1,866</u>	<u>\$ 8,074</u>
 <u>LIABILITIES</u>			
Due to others	\$ 6,208	\$	\$ 6,208
Due to other funds	<u>1,866</u>	<u>1,866</u>	<u>1,866</u>
Total liabilities	<u>\$ 6,208</u>	<u>\$ 1,866</u>	<u>\$ 8,074</u>

UNADILLA TOWNSHIP  
ALL SPECIAL REVENUE FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2008

	Fire Fund	Police Fund	Police Forfeiture Fund	Dust Control Fund	Street Lighting Fund	Township Improvement Fund	Senior Center Fund	Totals
REVENUES								
Property taxes	\$ 104,450	\$ 156,679	\$	\$ 109,949	\$	\$	\$	\$ 371,078
Special assessments					8,729			8,729
Fines and forfeitures		2,529	2,635					5,164
Charges for services	5,721	1,844						7,565
Grant income	345							345
Donations	218	68					10	296
Interest	5,179	756	14	909		8,019	14	14,891
Liquor license		920						920
Miscellaneous		1,401		5,259	11			6,671
Total revenues	<u>115,913</u>	<u>164,197</u>	<u>2,649</u>	<u>116,117</u>	<u>8,740</u>	<u>8,019</u>	<u>24</u>	<u>415,659</u>
EXPENDITURES								
Fire protection	79,021							79,021
Police protection		165,704	1,785					167,489
Dust control				64,275				64,275
Street lighting					8,127			8,127
Senior center							1,023	1,023
Total expenditures	<u>79,021</u>	<u>165,704</u>	<u>1,785</u>	<u>64,275</u>	<u>8,127</u>		<u>1,023</u>	<u>319,935</u>
Net changes in fund balances	36,892	(1,507)	864	51,842	613	8,019	(999)	95,724
FUND BALANCE, APRIL 1, 2007	<u>156,635</u>	<u>113,964</u>	<u>1,779</u>	<u>133,399</u>	<u>4,736</u>	<u>169,054</u>	<u>2,918</u>	<u>582,485</u>
FUND BALANCE, MARCH 31, 2008	<u>\$ 193,527</u>	<u>\$ 112,457</u>	<u>\$ 2,643</u>	<u>\$ 185,241</u>	<u>\$ 5,349</u>	<u>\$ 177,073</u>	<u>\$ 1,919</u>	<u>\$ 678,209</u>

INDIVIDUAL  
FUNDS

GENERAL  
FUND

UNADILLA TOWNSHIP  
GENERAL FUND  
BALANCE SHEET  
MARCH 31, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$	730,093
Taxes receivable		9,198
Prepaid expenses		107
State shared revenues receivable		34,274
Due from others		11,144
Due from other funds		<u>1,859</u>
Total assets	\$	<u><u>786,675</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	915
Payroll taxes payable		<u>1,613</u>

Total liabilities \$ 2,528

FUND BALANCE

784,147

Total liabilities and fund balance \$ 786,675

UNADILLA TOWNSHIP  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 82,239	\$ 84,062	\$ 1,823
State shared revenues	218,623	216,395	(2,228)
Licenses and permits	16,400	19,122	2,722
Charges for services	30,687	17,122	(13,565)
Other revenues	1,950	3,102	1,152
Interest	6,000	26,533	20,533
Total revenues	355,899	366,336	10,437
EXPENDITURES			
Township board	5,000	3,900	1,100
Supervisor	20,000	20,000	
Elections	3,525	3,568	(43)
Assessor	25,100	25,187	(87)
Auditor	5,000	4,500	500
Clerk	21,450	21,392	58
Attorney	6,000	7,216	(1,216)
Board of review	3,250	2,017	1,233
Treasurer	22,200	23,700	(1,500)
Unallocated	55,400	44,291	11,109
Drains at large	1,000	787	213
Planning	21,950	11,327	10,623
Zoning	22,150	13,535	8,615
Tax chargeback		17	(17)
Total expenditures	212,025	181,437	30,588
Excess of revenues over (under) expenditures	143,874	184,899	41,025
OTHER FINANCING SOURCES (USES)			
Sale of assets		1,805	1,805
Transfers (out) - fire	(20,000)		20,000
Transfers (out) - police	(10,000)		10,000
Total other financing sources (uses)	(30,000)	1,805	31,805
Net change in fund balance	113,874	186,704	72,830
FUND BALANCE, APRIL 1, 2007	597,443	597,443	
FUND BALANCE, MARCH 31, 2008	\$ 711,317	\$ 784,147	\$ 72,830

UNADILLA TOWNSHIP  
GENERAL FUND  
STATEMENT OF REVENUES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
PROPERTY TAXES	\$ 82,239	\$ 84,062	\$ 1,823
STATE SHARED REVENUES	218,623	216,395	(2,228)
LICENSES AND PERMITS			
Dog licenses		528	
Licenses and permits		7,450	
Cable franchise		11,144	
Total licenses and permits	16,400	19,122	2,722
CHARGES FOR SERVICES			
Fees		92	
Tax administrative fees		11,405	
Tax collection fees		5,625	
Total charges for services	30,687	17,122	(13,565)
OTHER REVENUES			
Interest		26,533	
Reimbursements		2,413	
Miscellaneous		2,494	
Total other revenues	7,950	31,440	23,490
Total revenues	\$ 355,899	\$ 368,141	\$ 12,242

UNADILLA TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TOWNSHIP BOARD			
Salaries	<u>\$ 5,000</u>	<u>\$ 3,900</u>	<u>\$ 1,100</u>
SUPERVISOR			
Salary	<u>20,000</u>	<u>20,000</u>	
ELECTIONS			
Salaries		2,883	
Supplies		447	
Miscellaneous		99	
Publishing		<u>139</u>	
Total elections	<u>3,525</u>	<u>3,568</u>	<u>(43)</u>
ASSESSOR			
Contract		23,600	
Supplies		605	
Miscellaneous		<u>982</u>	
Total assessor	<u>25,100</u>	<u>25,187</u>	<u>(87)</u>
CLERK			
Salaries		20,000	
Miscellaneous		43	
Equipment		<u>1,349</u>	
Total clerk	<u>21,450</u>	<u>21,392</u>	<u>58</u>
ATTORNEY	<u>6,000</u>	<u>7,216</u>	<u>(1,216)</u>
AUDITOR	<u>5,000</u>	<u>4,500</u>	<u>500</u>
BOARD OF REVIEW			
Salaries		1,850	
Publishing		148	
Miscellaneous		<u>19</u>	
Total board or review	<u>3,250</u>	<u>2,017</u>	<u>1,233</u>

UNADILLA TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)  
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TREASURER			
Salaries		20,000	
Tax bill preparation		2,661	
Miscellaneous		1,039	
Total treasurer	<u>22,200</u>	<u>23,700</u>	<u>(1,500)</u>
UNALLOCATED			
Salaries		5,194	
Payroll taxes		2,654	
Retirement		5,420	
Supplies		2,331	
Publishing		1,075	
Dues		2,057	
Miscellaneous		1,144	
Maintenance		2,004	
Telephone and utilities		3,020	
Insurance and bonds		7,951	
Rental		4,397	
Clean up day		2,963	
Recreation		2,965	
Senior utilities		1,116	
Total unallocated	<u>55,400</u>	<u>44,291</u>	<u>11,109</u>
DRAINS AT LARGE	<u>1,000</u>	<u>787</u>	<u>213</u>
PLANNING			
Salaries		7,417	
Consulting		3,023	
Miscellaneous		887	
Total planning	<u>21,950</u>	<u>11,327</u>	<u>10,623</u>
ZONING			
Salaries		9,456	
Legal		3,466	
Publishing		358	
Mileage		165	
Miscellaneous		90	
Total zoning	<u>22,150</u>	<u>13,535</u>	<u>8,615</u>
TAX CHARGEBACK		<u>17</u>	<u>(17)</u>
Total expenditures	<u>\$ 212,025</u>	<u>\$ 181,437</u>	<u>\$ 30,588</u>

FIRE  
FUND

UNADILLA TOWNSHIP  
FIRE FUND  
BALANCE SHEET  
MARCH 31, 2008

ASSETS

ASSETS

Cash	\$	185,930	
Taxes receivable		10,685	
Grant receivable		<u>1,280</u>	
Total assets			<u>\$ 197,895</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	3,325	
Payroll taxes payable		<u>1,043</u>	
Total liabilities			\$ 4,368

FUND BALANCE

			<u>193,527</u>
Total liabilities and fund balance			<u>\$ 197,895</u>

UNADILLA TOWNSHIP  
FIRE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property taxes	\$	\$ 104,450	\$
Grant - county		345	
Donations		218	
Charges for services		5,721	
Interest		5,179	
		<u>          </u>	<u>          </u>
Total revenues	<u>327,200</u>	<u>115,913</u>	<u>(211,287)</u>
EXPENDITURES			
Salaries		33,802	
Payroll taxes		2,586	
Sewer assessment		702	
Supplies		2,975	
Uniforms		212	
Audit fees		2,000	
Gas		1,515	
Telephone		2,102	
Internet service		656	
Mileage		1,643	
Training		2,473	
Insurance		18,872	
Utilities		4,569	
Repairs and maintenance		4,155	
Miscellaneous		634	
Dues		125	
		<u>          </u>	<u>          </u>
Total expenditures	<u>416,035</u>	<u>79,021</u>	<u>337,014</u>
Net change in fund balance	(88,835)	36,892	125,727
FUND BALANCE, APRIL 1, 2007	<u>156,635</u>	<u>156,635</u>	<u>          </u>
FUND BALANCE, MARCH 31, 2008	<u>\$ 67,800</u>	<u>\$ 193,527</u>	<u>\$ 125,727</u>

POLICE  
FUND

UNADILLA TOWNSHIP  
POLICE FUND  
BALANCE SHEET  
MARCH 31, 2008

ASSETS

ASSETS

Cash	\$	100,400	
Taxes receivable		<u>16,028</u>	
Total assets	\$	<u>116,428</u>	

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	1,272	
Payroll taxes payable		<u>2,699</u>	

Total liabilities	\$	3,971	
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FUND BALANCE

112,457

Total liabilities and fund balance	\$	<u>116,428</u>	
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UNADILLA TOWNSHIP  
POLICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property taxes	\$	\$ 156,679	\$
Fines and forfeitures		2,529	
Liquor license		920	
Sale of assets		1,100	
Charges for services		1,844	
Miscellaneous		301	
Interest		756	
Donations		68	
	<u>159,000</u>	<u>164,197</u>	<u>5,197</u>
EXPENDITURES			
Salaries		106,127	
Payroll taxes		8,455	
Retirement		1,200	
Health insurance		3,200	
Supplies		2,172	
Telephone		2,262	
Legal		1,245	
Mileage		140	
Audit fees		1,500	
Training		1,076	
Uniforms		714	
Insurance		14,004	
Utilities		2,616	
Gas		8,659	
Repairs and maintenance		9,742	
Miscellaneous		1,074	
Dues		534	
Small equipment and tools		984	
	<u>171,600</u>	<u>165,704</u>	<u>5,896</u>
Net change in fund balance	(12,600)	(1,507)	11,093
FUND BALANCE, APRIL 1, 2007	<u>113,964</u>	<u>113,964</u>	
FUND BALANCE, MARCH 31, 2008	<u>\$ 101,364</u>	<u>\$ 112,457</u>	<u>\$ 11,093</u>

POLICE  
FORFEITURE  
FUND

UNADILLA TOWNSHIP  
POLICE FORFEITURE FUND  
BALANCE SHEET  
MARCH 31, 2008

ASSETS

ASSETS

Cash

\$ 3,038

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable

\$ 395

FUND BALANCE

2,643

Total liabilities and fund balance

\$ 3,038

UNADILLA TOWNSHIP  
POLICE FORFEITURE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2008

REVENUES	
Drug forfeitures	\$ 2,635
Interest income	<u>14</u>
Total revenues	2,649
EXPENDITURES	
Forfeiture expenses	<u>1,785</u>
Net change in fund balance	864
FUND BALANCE, APRIL 1, 2007	<u>1,779</u>
FUND BALANCE, MARCH 31, 2008	<u><u>\$ 2,643</u></u>

DUST  
CONTROL  
FUND

UNADILLA TOWNSHIP  
DUST CONTROL FUND  
BALANCE SHEET  
MARCH 31, 2008

ASSETS

ASSETS

Cash

\$ 173,996

Taxes receivable

11,245

\$ 185,241

FUND BALANCE

FUND BALANCE

\$ 185,241

UNADILLA TOWNSHIP  
DUST CONTROL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008

	Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES			
Property taxes	\$	\$ 109,949	\$
Other revenues		5,259	
Interest		909	
Total revenues	108,375	116,117	7,742
EXPENDITURES			
Road treatment		64,015	
Other charges		260	
Total expenditures	184,000	64,275	119,725
Net change in fund balance	(75,625)	51,842	127,467
FUND BALANCE, APRIL 1, 2007	133,399	133,399	
FUND BALANCE, MARCH 31, 2008	\$ 57,774	\$ 185,241	\$ 127,467

STREET LIGHTING  
FUND

UNADILLA TOWNSHIP  
STREET LIGHTING FUND  
BALANCE SHEET  
MARCH 31, 2008

ASSETS

ASSETS

Cash	\$ 3,609
Special assessment receivable	<u>1,740</u>
	<u>\$ 5,349</u>

FUND BALANCE

FUND BALANCE	<u>\$ 5,349</u>
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UNADILLA TOWNSHIP  
STREET LIGHTING FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Special assessments	\$	\$ 8,729	\$
Interest		11	
Total revenues	7,669	8,740	1,071
EXPENDITURES			
Street lighting	<u>8,532</u>	<u>8,127</u>	<u>405</u>
Net change in fund balance	(863)	613	1,476
FUND BALANCE, APRIL 1, 2007	<u>4,736</u>	<u>4,736</u>	
FUND BALANCE, MARCH 31, 2008	<u>\$ 3,873</u>	<u>\$ 5,349</u>	<u>\$ 1,476</u>

TOWNSHIP  
IMPROVEMENT  
FUND

UNADILLA TOWNSHIP  
TOWNSHIP IMPROVEMENT FUND  
BALANCE SHEET  
MARCH 31, 2008

ASSETS

ASSETS

Cash and cash equivalents

\$ 177,073

FUND BALANCE

FUND BALANCE

\$ 177,073

UNADILLA TOWNSHIP  
TOWNSHIP IMPROVEMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2008

REVENUES	
Interest income	\$ 8,019
EXPENDITURES	<hr/>
Net change in fund balance	8,019
FUND BALANCE, APRIL 1, 2007	<hr/> 169,054
FUND BALANCE, MARCH 31, 2008	<hr/> <u>\$ 177,073</u>

SENIOR CENTER  
FUND

UNADILLA TOWNSHIP  
SENIOR CENTER FUND  
BALANCE SHEET  
MARCH 31, 2008

ASSETS

ASSETS  
Cash

\$ 1,919

FUND BALANCE

FUND BALANCE

\$ 1,919

UNADILLA TOWNSHIP  
SENIOR CENTER FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2008

REVENUES	
Rebates	\$ 10
Interest income	<u>14</u>
Total revenues	<u>24</u>
EXPENDITURES	
Supplies	348
Equipment	<u>675</u>
Total expenditures	<u>1,023</u>
Net change in fund balance	(999)
FUND BALANCE, APRIL 1, 2007	<u>2,918</u>
FUND BALANCE, MARCH 31, 2008	<u><u>\$ 1,919</u></u>

SEWER  
DEBT SERVICE  
FUND

UNADILLA TOWNSHIP  
SEWER DEBT SERVICE FUND  
BALANCE SHEET  
MARCH 31, 2008

ASSETS

ASSETS

Cash and cash equivalents  
Due from county

\$ 901,186  
31,245

Total current assets

\$ 932,431

DEFERRED SPECIAL ASSESSMENT RECEIVABLE

1,578,226

Total assets

\$ 2,510,657

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable  
Deferred revenues

\$ 685  
1,578,226

Total liabilities

\$ 1,578,911

FUND BALANCE

931,746

Total liabilities and fund balance

\$ 2,510,657

UNADILLA TOWNSHIP  
SEWER DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2008

REVENUES	
Special assessments - interest	\$ 95,485
Special assessments - principal	123,505
Interest income	<u>31,707</u>
Total revenues	250,697
EXPENDITURES	
Audit fees	1,000
Bond principal	20,000
Bond interest	67,654
Project costs	33
Miscellaneous charges	<u>417</u>
Total expenditures	<u>89,104</u>
Net change in fund balance	161,593
FUND BALANCE, APRIL 1, 2007	<u>770,153</u>
FUND BALANCE, MARCH 31, 2008	<u><u>\$ 931,746</u></u>

TRUST  
AND  
AGENCY  
FUND

UNADILLA TOWNSHIP  
TRUST AND AGENCY FUND  
BALANCE SHEET  
MARCH 31, 2008

ASSETS

ASSETS

Cash

\$ 6,208

LIABILITIES

LIABILITIES

Due to others

\$ 6,208

CURRENT  
TAX  
COLLECTION  
FUND

UNADILLA TOWNSHIP  
CURRENT TAX COLLECTION FUND  
BALANCE SHEET  
MARCH 31, 2008

ASSETS

ASSETS

Cash

\$ 1,866

LIABILITIES

LIABILITIES

Due to other funds

\$ 1,866

August 19, 2008

Board of Trustees  
Unadilla Township  
126 Webb Street  
P O Box 120  
Gregory, Michigan 48137

Honorable Board of Trustees:

During our audit of Unadilla Township we came across the following matters that we would like to discuss with you as part of our audit presentation for the year ending March 31, 2008.

The matters which we would like to discuss with you are as follows:

There is a new auditing standard (SAS #112) which we are required to follow as your auditing firm. This new standard relates to more formal communications by us to you regarding significant deficiencies in your internal controls and accounting procedures.

There are certain issues (deficiencies) which were previously considered general comments but under the new standard are now considered significant deficiencies.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's or detected by the entity's internal control.

We consider the following to be a material weakness of the Township:

- Historically, the Township has relied on independent external auditors in the preparation of their financial statements and required disclosures. The Township has determined that the cost/benefit of preparing the financial statements and disclosures are best served by continuing this practice.
- There is a lack of segregation of duties.

The following are other comments relating to the Townships accounting and record keeping procedures:

- There were several instances with the receipts that lack detail. More detailed information needs to be attached.
- There are several instances with the disbursements that lack detail. There should be a copy of the original receipt attached to every check.
- It was noted, per the employee handbook that employees are required to fill out a time sheet each week showing start time, lunch period and any other unpaid break. Time sheets were submitted with the total hours worked. They were not completely filled out with the start time, ending time or any breaks. The time sheets were also written on individual sheets. We suggest an official time sheet be used and properly filled out and signed by an official.
- Budgets were not prepared for all governmental funds. This is a violation of Public Act 493 of 2000. A budget should be prepared for all governmental funds.

### Conclusion

Thank you for your assistance and hospitality toward our firm while conducting the audit of the Unadilla Township.

If you should have any questions, comments or concerns please do not hesitate to call us.

This report is intended solely for the information and use of the Board of Trustees and management of the Unadilla Township and is not intended to be and should not be used by anyone other than the specified parties.

*Pfeffer, Hanniford & Palka, P.C.*

PFEFFER, HANNIFORD & PALKA  
Certified Public Accountants